



DIRECTORS

J. H. Coleman, Toronto, Ontario
President, J.H.C. Associates Limited

F.N. Hughes, Edmonton, Alberta
President, Oil Patch Industries Ltd.

J. G. Hutchison, Calgary, Alberta
Financial Consultant

W.D.C. Mackenzie, Calgary, Alberta
President, W.D.C. Mackenzie Consultants Ltd.

W.W. Siebens, Calgary, Alberta
President, Siebens Oil & Gas Ltd.

P.W. Wood, Winnipeg, Manitoba
Vice-President, Finance,
Hudson's Bay Company

OFFICERS

W.W. Siebens, President

D.E. McPhée, Secretary

V.J. Zaleschuk, Treasurer-Comptroller

HEAD OFFICE

300 Three Calgary Place, Calgary, Alberta

SUBSIDIARIES

Siebens Oil & Gas (Malta) Limited

Siebens Oil & Minerals Inc.

Siebens Oil & Gas (S.E. Asia) Ltd.

Siebens Oil & Gas (Vietnam) Ltd.

AFFILIATED COMPANIES

Siebens Oil & Gas (UK) Limited

Hibernian Oil & Gas Limited

BANKERS

The Royal Bank of Canada
Calgary, Alberta

Hambros Bank Limited
London, England

AUDITORS

Riddell, Stead & Co.
Calgary, Alberta

SOLICITORS

MacLeod Dixon
Calgary, Alberta

Norton, Rose, Botterell & Roche
London, England

REGISTRARS AND TRANSFER AGENTS

Montreal Trust Company
Calgary, Vancouver, Regina,
Winnipeg, Toronto, Montreal

STOCK EXCHANGE LISTINGS

Toronto Stock Exchange
Canadian Stock Exchange

FRONT COVER STORY

A SCENE FROM THE EARLY FUR TRADE IN NORTH AMERICA SUPERIMPOSED OVER A MAP OF THE COMPANY'S LAND HOLDINGS IN WESTERN CANADA, REPRESENTS THE RECENT COMBINING OF THE HUDSON'S BAY COMPANY'S MINERAL RIGHTS WITH THOSE OF SIEBENS OIL & GAS LTD.

Siebens
OIL & GAS LTD.

ANNUAL REPORT 1973

ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders will be held on February 7, 1974, at 9:00 a.m. in the Company's Boardroom, 300 Three Calgary Place. A formal notice of this meeting, information circular and form of proxy are being mailed with this report.

**TO THE
SHAREHOLDERS:**

HIGHLIGHTS

- **NET EARNINGS \$3,244,172.**
- **HBR MERGER.**
- **SIEBENS (UK) TO PARTICIPATE IN 6 NORTH SEA WELLS.**
- **ATHABASCA TAR SANDS ROYALTIES ACQUIRED.**
- **NET OIL & GAS LIQUIDS PRODUCTION UP TO 3450 BOPD.**
- **NATURAL GAS PRODUCTION UP TO 11 MMCF PER DAY.**
- **73/ 74 EXPLORATION BUDGET ESTIMATED AT \$5.5 MILLION.**

I welcome this opportunity to report on a most eventful year for the Company and provide you with an indication of activities planned for the ensuing year.

Total gross income for the fourteen months ending October 31, 1973, including interest and other income was \$6,383,000. Cash flow amounted to \$4,185,000 or \$.46 per share. Net earnings after provision for deferred and current income taxes amounted to \$3,244,000 or \$.36 per share. These statistics reflect the combined results of Siebens Oil & Gas Ltd., its subsidiary and affiliated companies and Hudson's Bay Company Resources Limited for the period reported. The Company continues to be in a strong financial condition with \$8,590,000 in cash and marketable securities.

During 1973, the Company was merged with Hudson's Bay Company Resources Limited, a wholly owned subsidiary of Hudson's Bay Company, which owned mineral titles on 4.5 million acres in Western Canada and had a significant cash flow from mineral royalties. The combination of Siebens' large land holdings in Canada and the North Sea with the income flow from the Hudson's Bay mineral rights has given the company a new direction. We are estimating that up to \$5.5 million will be expended on exploration, primarily in Western Canada, during the next year.

As a result of the merger, Hudson's Bay Company now holds 35% of the outstanding shares of the Company and we are pleased to welcome them as a major shareholder. Your Company is one of the few public oil and gas companies that is Canadian controlled.

In November of 1972, the Company's affiliate, Siebens Oil & Gas (UK) Limited, concluded a successful financing whereby \$14 million was obtained through the private placement of 2 million shares. Funds from this financing will be used by Siebens (UK) in drilling six to nine exploratory wells on its production licences in the North Sea areas. The Company's interest in Siebens (UK) was reduced as a result of this financing from 40% to 27.23%.

The North Sea continues to be one of the most active and prospective regions in the world. Siebens (UK) has contracted the Pacesetter I, a semi-submersible drilling

vessel, to drill at least three wells on its production licences in the North Sea during 1974. In addition, Siebens (UK) will be involved with its partners in the drilling of three other wells in this area during the current fiscal period.

During the past year the Company acquired royalty interests in two leases covering approximately 87,000 acres in the Athabasca Tar Sands area of Alberta. Because of the proximity of these leases to the Great Canadian Oil Sands Plant and the proposed Syncrude operation, and the growing importance of the Athabasca Tar Sands area as a future source of energy, the Company considers these acquisitions to be of significant importance to its Shareholders.

The Company has continued its search for prospective geological areas in other parts of the world and in August, 1973, the Sunningdale Joint Venture group, of which the Company is a member, was awarded by the Republic of Viet Nam, two offshore exploration blocks containing 3.4 million acres. The Company's interest in the Joint Venture is 25%. The blocks are located in the Mekong-Brunei basin which is considered one of the remaining unexplored prospective basins in the world.

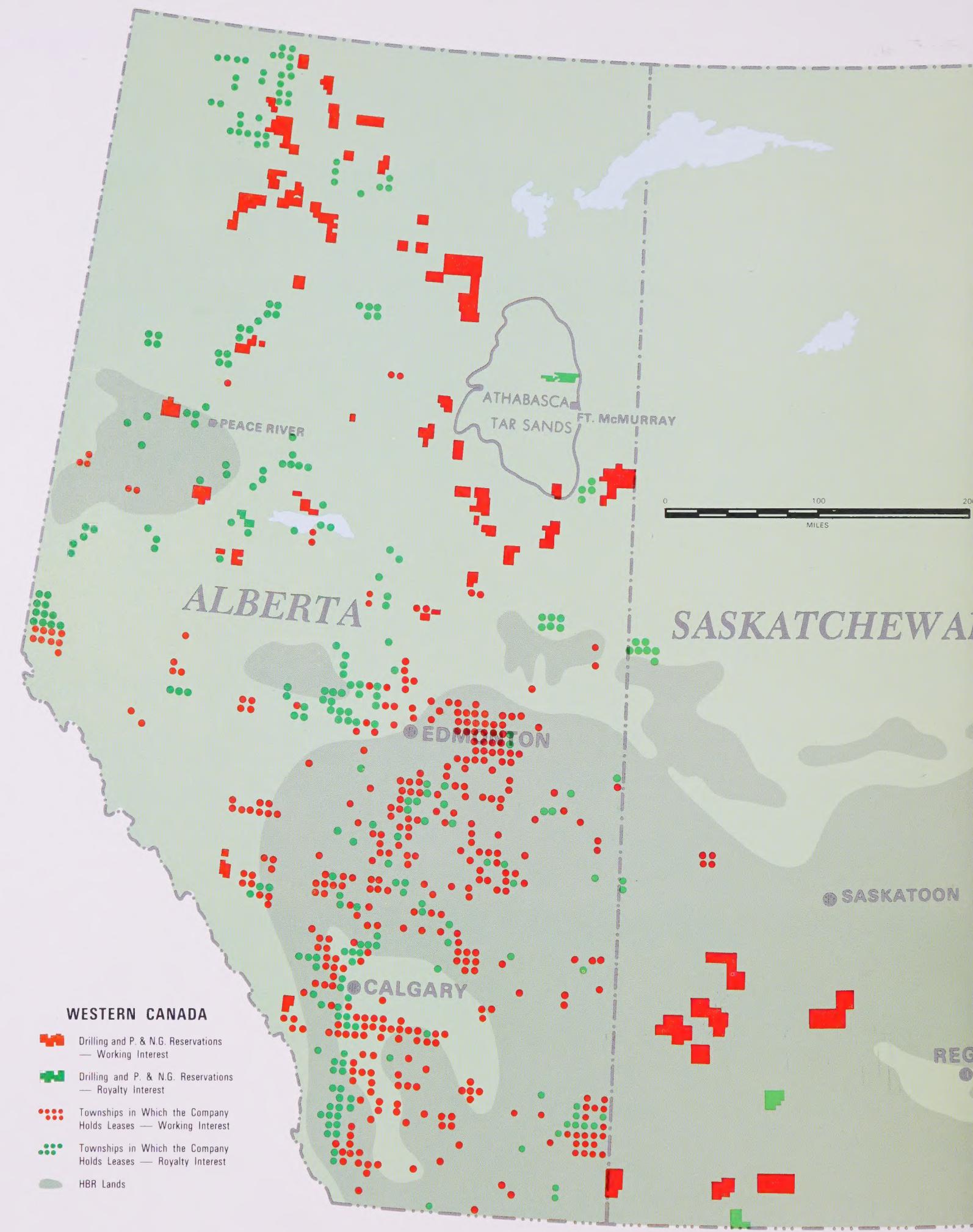
During the past year, we were pleased to welcome as new Directors, Mr. J. G. Hutchison, Financial Consultant, and formerly a senior partner with Riddell, Stead & Co., Mr. P. W. Wood, Vice-President, Finance and a Director of Hudson's Bay Company and Mr. W. D. C. Mackenzie, a well known Canadian oilman who is President of W.D.C. Mackenzie Consultants Ltd. and a Director of Hudson's Bay Company.

On Behalf of The Directors



W. W. Siebens,
President.

December 17th, 1973



THE H.B.R. STORY

The lands in which the Company now owns the Mineral Title through the acquisition of Hudson's Bay Company Resources Limited can be traced far back into Canadian and British history. In 1670 Charles II, King of England, granted the first charter to the Hudson's Bay Company inscribing the imperial powers which "The Governor and Company of Adventurers of England Trading into Hudson Bay" were to enjoy. This charter granted the Company of Adventurers the sole trade and commerce rights within that new land to the west, which was the entire water shed of the Hudson Bay. In terms of today's geography, the grant encompassed the provinces of Ontario and Quebec north of the Laurentian water-shed and west of the

Labrador boundary, the whole of Manitoba, most of Saskatchewan and Alberta and a large portion of the Northwest Territories. In all, a great basin of 1,486,000 square miles comprising 38.7 per cent of what is today Canada.

The British North America Act of 1867 made provision for the admission of these lands into Confederation for a cash consideration to the Company of Adventurers of \$1.5 million and the retention of 7.5 million acres or 5 per cent of the total area once held. The formula for the retention of this acreage gave the Company of Adventurers Section 8 and three quarters of Section 26, with some exceptions, in each unoccupied Township south of the North Saskatchewan River between Winnipeg and the Rockies. Additional acreage was given north of the North Saskatchewan River because so much land had already been granted to Railways. For many years the mineral rights were assigned to settlers as the surface rights were sold but after 1889 the Company of Adventurers adopted the practice of the Government of Canada and the National Railways by retaining ownership of its mineral rights. The Company of Adventurers eventually retained ownership of some 4.5 million acres of mineral rights in the three prairie provinces.

In 1926, predecessor companies to Hudson's Bay Oil and Gas Company Limited (HBOG) concluded an agreement with Charles Vincent Sale, Governor of the Company of Adventurers, for a joint venture exploration program whereby HBOG received an exclusive option to lease the Company of Adventurers' lands for petroleum exploration purposes. It is of interest that in 1970, three hundred (300) years after its incorporation, the headquarters of the Company of Adventurers was transferred from the United Kingdom to Canada. The name of the Company of Adventurers had been previously changed to the Hudson's Bay Company and we are pleased that the ownership of this large corporation is now controlled by Canadians.

Under the joint venture agreement with HBOG substantial reserves of petroleum have been discovered on these lands with only a small portion of the 4.5 million acres having been explored to date. In addition, reserves of potash, coal, bentonite and other industrial minerals are being produced.

It is this mineral ownership of the 4.5 million acres and the royalty income derived therefrom that your Company now enjoys. The petroleum rights continue to be under option to HBOG but are subject to periodic renegotiation.

HBR LAND HOLDINGS

PROVINCE	ACRES
Alberta	1,603,575
Saskatchewan	2,308,820
Manitoba	686,560
Total	4,598,955

CANADIAN EXPLORATION

Year In Review

Land Holdings

The Company continues to maintain very substantial acreage holdings in Canada in terms of working interest and royalty interest properties (see charts below). Continued success in the acquisition of Alberta P&NG Reservations has increased these holdings from 1.87 million gross acres to 2.61 million gross acres representing a 39% increase. The Company will continue to adopt an aggressive policy toward the acquisition of acreage in the Western Canadian provinces.

Of the 19,445,094 gross acres shown on the chart under Arctic Islands, 4,296,397 gross acres were assigned to another party with the Company retaining a 2% gross overriding royalty and 2,954,041 gross acres were surrendered to the Crown effective February 25, 1973. Gross and net acreage figures have thereby been reduced to 12,194,656 and 3,299,983 respectively.

The Company had an active drilling period during the fourteen months ended October 31, 1973, however, a lengthy period of negotiation for the acquisition of Hudson's Bay Company Resources Limited (see story Page 3) resulted in a reduced number of wells drilled compared to the previous fiscal period. The drilling results did indicate discovery of substantially higher reserves of oil and gas than the previous year.

The Company drilled or participated in 26 wells which resulted in the completion of 13 gas wells and 4 oil wells. Our participation this past year was more diversified and not limited solely to the Milk River Sand of Southeast Alberta as reflected in last year's Report. In addition to the Company's participation programs, 18 wells were drilled on royalty interest properties and 32 wells were drilled by other exploration companies on farmout arrangements made with the Company. As a result, 19 gas wells and 5 oil wells were completed with 6 gas wells located in the Calling Lake-Craigend area of East Central Alberta adding to the 4 previously drilled gas wells. Development drilling will commence this winter as the availability of a gas market appears imminent due to substantial gas reserves discovered to date in this area. The statistics discussed above do not include wells drilled on HBR lands.

CANADIAN LAND HOLDINGS WORKING INTEREST PROPERTIES

GEOGRAPHICAL AREA	NATURE OF INTEREST	GROSS ACRES		NET ACRES	
		1973	1972	1973	1972
Alberta	P & NG Reservations	2,607,107	1,871,173	2,381,215	1,586,361
	Drilling Reservations	26,080	—	9,400	—
	Permits	7,680	24,480	7,680	10,384
	Leases	454,253	525,525	300,306	362,748
Saskatchewan	Permits	1,029,740	1,145,160	910,900	1,015,026
	Leases	11,667	13,628	1,359	1,622
British Columbia	Permits	25,104	25,104	25,104	25,104
	Leases	5,534	5,534	246	246
Northwest Territories	Permits	230,371	230,371	115,191	115,191
Mackenzie Delta-Beaufort Sea	Permits	2,630,626	2,630,626	1,230,882	1,230,882
Hudson Bay	Permits	4,898,478	4,898,478	1,172,255	1,172,255
Eastern Canada-Offshore*....	Permits	36,090,950	36,090,950	21,978,445	21,978,445
Arctic Islands	Permits	12,194,656	19,445,094	3,299,983	4,861,273
		<u>60,212,246</u>	<u>66,906,123</u>	<u>31,432,966</u>	<u>32,359,537</u>

*Gross and Net figures include 15,472,679 acres gross, 10,315,120 acres net filed on and pending issuance of Permits from Federal Government.

Two significant gas wells were the result of follow-up drilling in the Athabasca area of Central Alberta. Gas was encountered in two separate shallow reservoirs and, as a 50 percent working interest partner in this area, your Company is looking forward to additional drilling to delineate this field.

A step-out well has been completed at the Sunset oil field and two development wells were drilled at the Enchant gas field all of which have added to the respective reserves of each field.

A change in exploration policy has enabled the Company to enter into participation agreements with other exploration companies, the results of which have been most favourable. Of the 4 wells completed prior to year end under these participation agreements, one well was a gas discovery with potential for a significant reservoir and a second well resulted in an impressive multi-zone oil and gas discovery.

Future Plans

The increased cash flow available to the Company for the ensuing year has enabled us to embark on an expanded exploration program. Additional personnel have been added to the Exploration, Land and Engineering Departments in an effort to evaluate potential exploration areas previously unavailable to the Company due to lack of manpower and resources.

Additional development drilling for shallow gas is anticipated in the Enchant and Athabasca fields as well as the Calling Lake-Craigend area of Alberta.

The Company is presently participating to the extent of a 10 percent working interest in a 17,000 foot Leduc reef test in the Alberta foothills and a 10,000 foot Leduc reef test in the Cochrane area of Alberta.

A seismic option has been committed to in the Narraway River area of east-central British Columbia whereby a 10,000 foot Mississippian test will earn a 50 percent working interest in 26,125 acres with an option on a further 75,000 acres. Geological studies indicate the presence of an impressive Mississippian structure so that the drilling of a well is expected.

Follow-up drilling is underway in the area previously referred to where a significant gas discovery was made by the Company and its partners during the past year.

With an aggressive Exploration and Land Department and ample exploration funds for Canadian operations, the Company can now look forward to a diversified exploration program and a greater exposure to the potential of oil and gas in Western Canada. The Company will drill or participate in over 30 exploration and development wells in Western Canada during the first six months of the ensuing fiscal year.

DRILLING ACTIVITY

	Oil	Gas	Aban-don-ed	Total
Exploratory wells	0.5	5.5	4.0	10.0
Development wells	3.0	7.0	6.0	16.0
Farmout wells	1.0	13.0	18.0	32.0
Royalty wells	4.0	6.0	8.0	18.0
	<u>8.5</u>	<u>31.5</u>	<u>36.0</u>	<u>76.0</u>

ROYALTY INTEREST PROPERTIES

Geographical Area

Alberta	727,000
Saskatchewan	231,206
British Columbia	823,531
Ontario	1,622,821
Hudson Bay	7,467,494
Northwest Territories & Arctic Islands	26,584,160
Eastern Canada - Offshore	4,534,597
Total Royalty Interest Acreage	<u>41,990,809</u>

Gross Royalty Acreage

727,000
231,206
823,531
1,622,821
7,467,494
26,584,160
4,534,597
<u>41,990,809</u>

Athabasca Tar Sands

The current world energy shortage has brought into focus the importance of the Athabasca Tar Sands as a future source of energy. How significant is the Athabasca Tar Sands to the Canadian and Alberta economy?

The mineable area of the Athabasca Tar Sands has estimated recoverable reserves of 86 billion barrels of oil. At a rate of development of one plant a year, producing oil from the mineable area only, at a rate of one billion barrels per plant for two decades, there is room for a minimum of 86 plants. Each of these plants will cost over \$500 million and require a 150 megawatt electricity and steam generating plant with a price tag of up to \$100 million and a pipeline of at least 20 inch diameter to carry the synthetic crude to market at a further cost of \$50 million. Each major plant should bring 8,000 to 10,000 residents to the Tar Sands area, with urban development cost estimated at up

to \$100 million. It is predicted that full size cities will spring up without ever having gone through the village or town stages, while 3,000 construction workers will be transient residents at each site.

Each new Tar Sands plant will provide permanent jobs for 1,100 employees, with indirectly related jobs amounting to as many as 7,900. This means, of course, that each Tar Sands plant would thereby provide the basis of support for 20,000 to 25,000 Canadians.

Recognizing the importance of the Tar Sands and the current energy crisis, your Company negotiated during the past fiscal period two very significant purchases of royalty interests in the heart of the Athabasca Tar Sands.



The first purchase was a 1.75 per cent overriding royalty on Bituminous Oil Sands Lease No. 25 containing 49,964 acres and located on the east side of the Athabasca River directly opposite the Great Canadian Oil Sands plant and approved Syncrude project. This lease is operated by Union Oil Company of Canada. An evaluation of this lease by J. C. Sproule and Associates Ltd. estimated the Company's share of reserves recoverable by surface mining methods at 15,000,000 barrels.

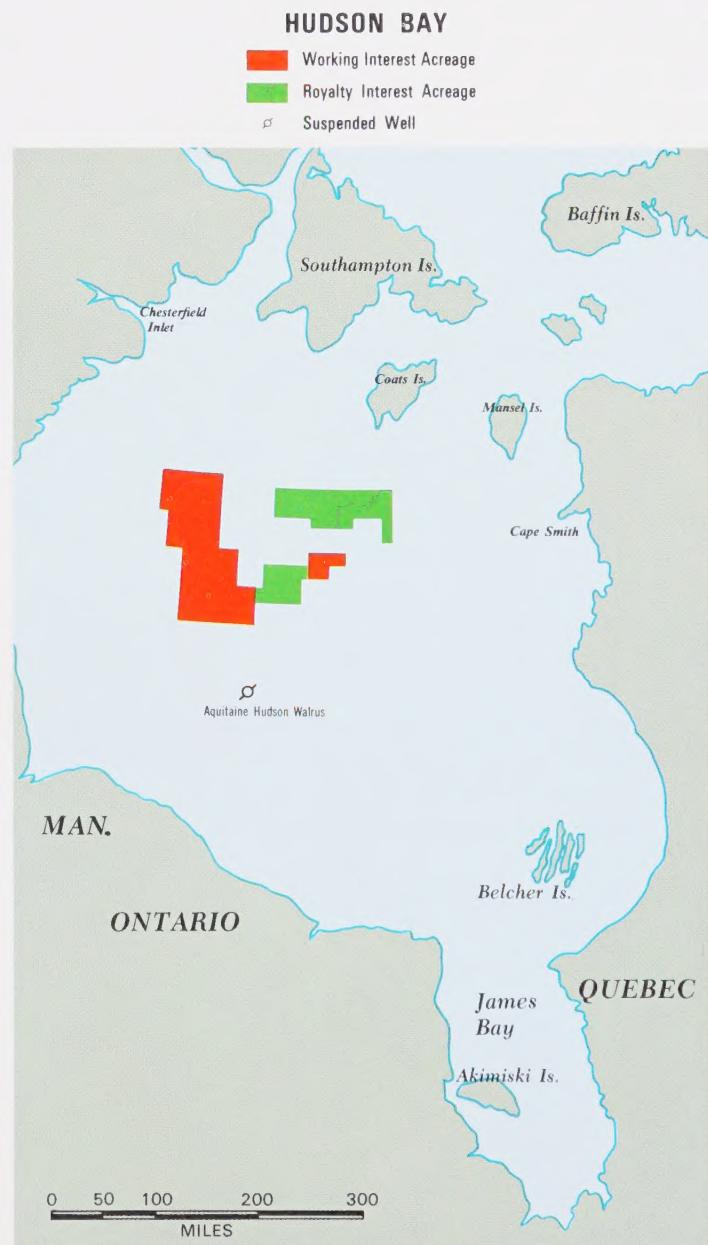
The Company also purchased 1.6 per cent royalty on Bituminous Oil Sands Lease No. 23 containing 36,939 acres and located immediately south of the Great Canadian Oil Sands project. This lease is operated by a subsidiary of Chevron Standard Limited. The J. C. Sproule and Associates Ltd. evaluation of this lease estimated recoverable reserves to the Company at 23,800,000 barrels.

In summary, while revenue from these purchases will not be evident for some time, each of the leases is capable of supporting in excess of a 100,000 barrel per day plant and your Company is convinced that these purchases will ensure significant additions to future income.

Hudson Bay

The Company participated in a marine reflection seismic survey this past Fall in Hudson Bay in order to obtain additional information to evaluate its land holdings in that area. With recent advances in the processing of seismic data recovered from "hard bottom" areas, it is expected this survey will assist in delineating the large structural features indicated by previous refraction surveys.

Drilling of the ARCO - Aquitaine group's large land holdings in Hudson Bay was deferred until 1974 due to a delay in the delivery of a suitable drilling vessel. It is anticipated two or three wells will be drilled in Hudson Bay next year by this group which will greatly assist in the evaluation of this huge untested sedimentary basin. The joint venture group in which Siebens has a 17½ percent interest, holds exploration permits covering approximately 4½ million acres in the vicinity of the proposed ARCO - Aquitaine drilling program.

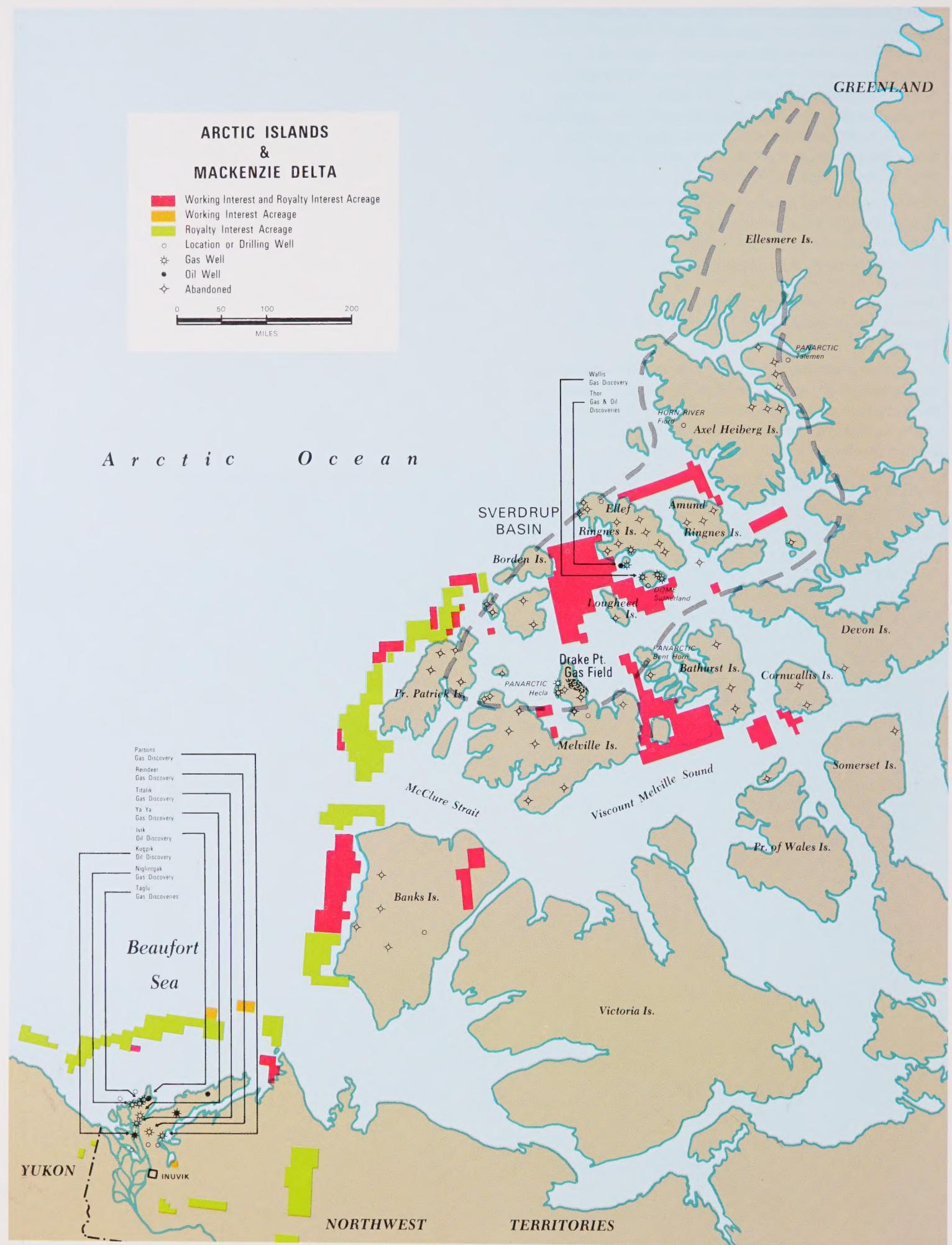


ARCTIC ISLANDS & MACKENZIE DELTA

- [Red Box] Working Interest and Royalty Interest Acreage
- [Yellow Box] Working Interest Acreage
- [Green Box] Royalty Interest Acreage
- Location or Drilling Well
- ★ Gas Well
- Oil Well
- ◊ Abandoned

0 50 100 200 MILES

Arctic Ocean



Mackenzie Delta and Arctic Islands

The Mackenzie Delta area was the scene of intense exploratory drilling during the past year. As a result, a number of important hydrocarbon discoveries were reported. Oil discoveries were announced by Imperial Oil Ltd. at its Ivik J-26 well and Shell Canada Ltd. at the Kugpik 0-13 well.

Gas discoveries confirmed were: Imperial's Taglu C-42 and Taglu F-43, Shell's Niglintgak H-30 and Kugpik 0-13 and Gulf's Titalik K-26, YaYa P-53, Reindeer F-36 and Parson N-10 wells. Over 500 net feet of gas bearing sands are present in two of the Taglu wells, while oil productive Middle Devonian reefal limestones have been reported from the Mayogiak J-17 discovery well drilled in 1971.

Sufficient reserves have been indicated by drilling to date to warrant the signing of gas purchase contracts by Imperial, Shell and Gulf committing a total of 23 trillion cubic feet of gas to purchasers and providing the producers with prepayments of over \$138 million for exploration and development drilling on their respective acreage holdings. It is expected Canadian Arctic Gas Study Group Ltd. will file applications early next year to build its proposed gas pipeline from the Delta to Alberta.

In the Liverpool Bay area, northeast of the Delta, a marine seismic survey was recently completed on the Company's 50% interest lands which give detailed coverage over the Middle Devonian structural anomaly indicated by previous surveys. These data are presently being interpreted and integrated into the regional seismic control. For the past two summers, pack-ice conditions have prevented further seismic investigation of the Company's land holdings in the Beaufort Sea, but it is hoped this survey can be completed in the summer of 1974.

The offshore portion of the Delta will be evaluated by Imperial this winter with drilling to be conducted from two artificial islands, Immerk and Adgo.

In the Arctic Islands, Panarctic Oils Ltd. drilled two wells at Hecla on the west side of Sabine Peninsula, proving up a significant gas reservoir which extends offshore. On Thor Island, another well tested 55 million cubic feet of gas per day from a depth of 3,500 feet. Dome Petroleum Ltd., drilling its Wallis well on the west side of King Christian Island, encountered about 300 feet of net pay in several zones and gas was tested at 12.4 million cubic feet per day.

Over-ice seismic surveys have proven successful in exploring the offshore portions of the Sverdrup Basin in the Arctic Islands. The Company intends to retain its 25 percent working interest in large blocks of acreage holdings throughout the Islands by joining in future exploration with its partners on these lands. The delineation of offshore structures by over-ice seismic methods can be accomplished during winter months and will be one of the major objectives of Arctic Island operators in the future. Drilling in the ice covered

inter-island areas is considered by some operators to be only a matter of time with the anticipated development of necessary technology.

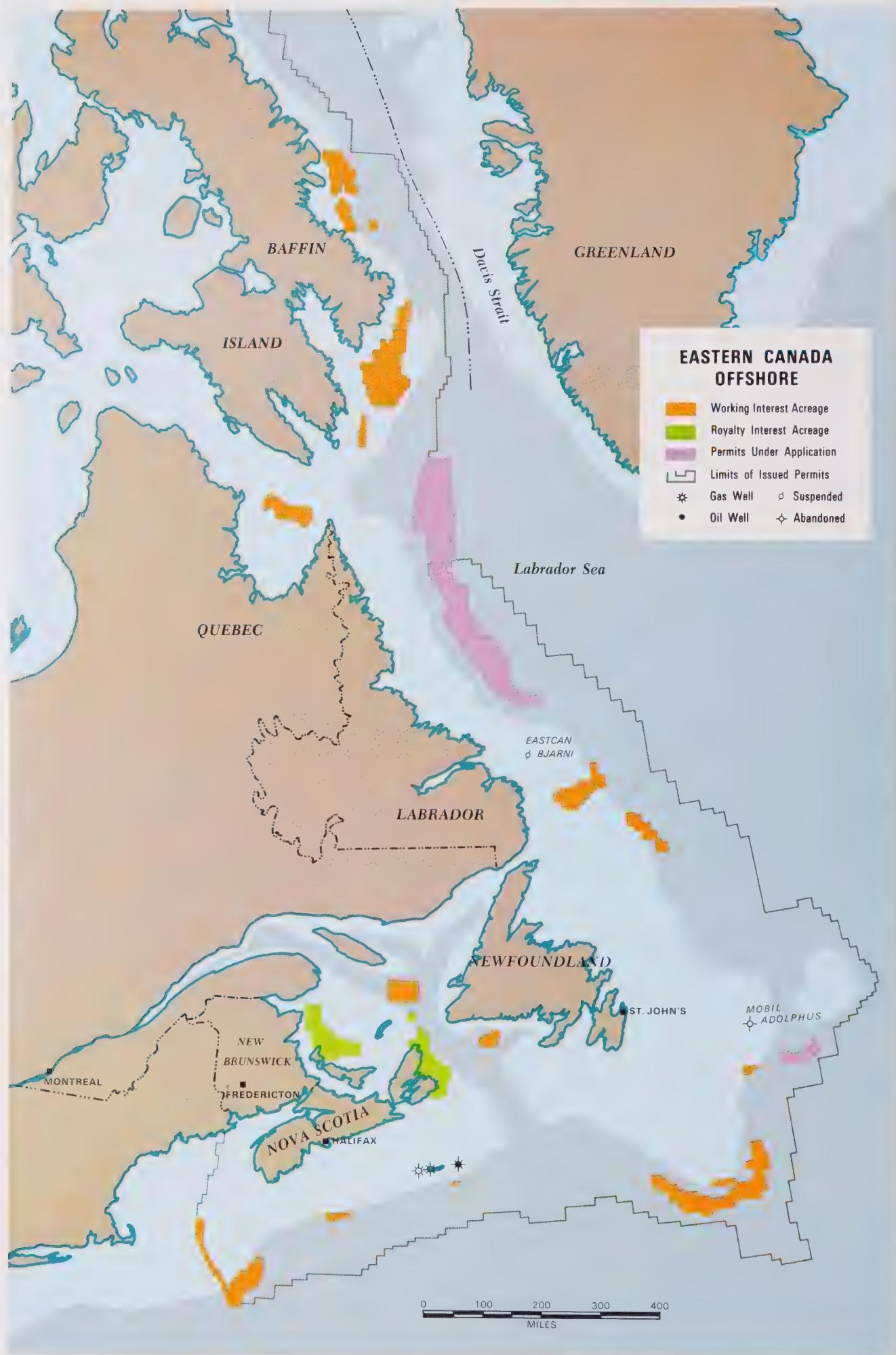
Drilling in both the Mackenzie Delta and Arctic Islands will again be at a high level during the coming year with additional significant discoveries expected. Our large land inventory and royalty interest in both areas provide the Company with good exposure to future discoveries.

East Coast

To date, over 70 wells have been drilled on Canada's East Coast extending from the Scotia Shelf through the Grand Banks to the Labrador Coast. This past summer four semi-submersibles and one floating rig were in use in this area resulting in three discoveries, none of which could be classified as commercial. Mobil - Tetco tested a combined flow of over 1500 BOPD from three zones in the Cohasset well, 25 miles southwest of its multi-zone Sable Island gas field while the Mobil - Gulf Adolphus well, located 215 miles east of St. John's, Newfoundland, flowed 260 BOPD from one of five zones tested. Off the Labrador Coast, the Eastcan Group encountered encouraging shows of hydrocarbons but due to adverse weather conditions, the rig was forced to move off location. The well will be re-entered and fully evaluated in 1974. It may be significant that the second well drilled in the Labrador offshore area found signs of oil and gas indicating this untested sedimentary basin could be more prospective than the Grand Banks or Scotia Shelf.

Additional marine seismic coverage was completed off the coast of Baffin Island over the 8.5 million gross permit acres in which the Company holds a 47.7 percent interest. Over 4500 line miles of seismic has been acquired in this area at a cost of approximately \$2 million. Evaluation of these data indicate several large structural anomalies which warrant further investigation.

Seismic surveys were conducted this past summer over Company interest blocks on the Scotia Shelf, Grand Banks and Burgeo Bank. Decisions regarding further exploration on these permits will be made after interpretation of the seismic data.





FOREIGN OIL AND GAS EXPLORATION

The Western Pacesetter I, pictured above underway in the Gulf of Mexico, is a new generation semisubmersible drilling unit which was recently constructed in the Beaumont Shipyard of Bethlehem Steel Corporation. The vessel was commissioned July 6th, 1973, and, after sea trials in the Gulf of Mexico, departed for the North Sea on September 1st. The voyage was completed on September 25th having set a record time for the trans-Atlantic crossing at an average speed of 9.18 knots for the 5,366 mile trip.

This drilling vessel will operate in water depths up to 650 feet and has a drilling capacity of 25,000 feet. The overall length of the vessel is 260 feet, overall beam is 200 feet

while height from keel to the top of main deck is 111 feet. It is fully equipped as a self-propelled vessel for unrestricted travel around the world and has accommodation for a crew of 80.

On its first location in the North Sea, the Pacesetter I successfully operated in a storm with 60 - 70 foot waves and winds blowing up to 90 miles per hour while several other rigs in the area were damaged or blown off their locations.

Siebens Oil & Gas (UK) Limited will utilize the Pacesetter I to drill three wells in the North Sea commencing in the spring of 1974.

United Kingdom

Several very significant oil and gas discoveries were announced this past summer in the northern portion of the North Sea. Four wells drilled by the Signal Group have partly delineated the Thistle oil field with recoverable reserves estimated at 500 million barrels. Immediately south of Thistle, the Shell/EssO Group announced a major oil discovery after drilling only one well and have named the field Dunlin. Several extension wells recently drilled by Shell/EssO and Texaco have considerably enlarged the Brent field so that the recoverable reserves are estimated to be 1½ billion barrels. Just west of the Brent field, Conoco have encountered commercial flows of oil from the new Hutton pool. Further south, and immediately east of the Shetland Islands, Total have one gas and two oil discoveries. Adjacent to east of Siebens (UK) Block 3/28, the BP/Iran consortium suspended a deep test well after encountering an extremely high pressure gas zone. It was announced drilling had to be suspended due to limitations of the drilling rig and that further evaluation of this feature would be undertaken in the summer of 1974.

Union Oil have announced their 2/5-1 well, located 8 miles north of the Siebens (UK) Block 2/10, flowed over 5100 BOPD from the Jurassic at about 10,000 feet. A 1½ mile stepout well to this discovery will be commenced immediately.

Due to the intense drilling activity underway in the Northern North Sea and the shortage of suitable drilling equipment, Siebens Oil & Gas (UK) Limited has entered into a seven well rig-sharing agreement with two other North Sea operators to utilize the new semisubmersible drilling vessel Western Pacesetter I. Up to four additional wells may be drilled by the rig-sharing partners under an option provision in the agreement. Siebens (UK) will have the fifth and seventh drilling positions in the seven well sequence as well as the eighth slot under the option provision. Delivery of the rig for the use of Siebens (UK) is expected in the spring of 1974. The Pacesetter I arrived in the North Sea in late September, 1973.

Three drilling positions have been located on prospective seismic anomalies in Blocks 2/10, 3/28 and 205/30. The order in which the blocks will be drilled depends upon the date the rig is actually received. Siebens (UK)'s interest in all three blocks is 95 percent.

This summer, Pan Ocean Oil (UK) Ltd., operator of Blocks 16/2, 16/3 and 16/7, in which Siebens (UK) holds a 10 percent interest, will use the new semisubmersible drilling vessel Odindrill to drill two consecutive wells in these blocks for the group. One will test a shallow Tertiary structure while the second will probably evaluate a deep Jurassic feature. The operator anticipates receiving the Odindrill in June or July, 1974.

During the past year, Siebens (UK) participated in the acquisition of over 13,000 line miles of marine seismic data covering unallocated blocks in United Kingdom waters. The interpretations obtained from these data will be used

NORTH SEA

- Working Interest Acreage
- Location or Drilling Well
- ✖ Gas Well
- Oil Well
- Gas Field
- Oil Field
- ◊ Abandoned
- Suspended
- Gas Pipelines
- Completed
- Proposed
- Oil Pipelines
- Proposed

1

0 25 50 100
MILES

3

SCOTLAND

ABE

IRELAND

CORK

KINSALE HEAD

103/28

92/10

WAL

Bristol

SO

EN

PLY

Celtic Sea

1

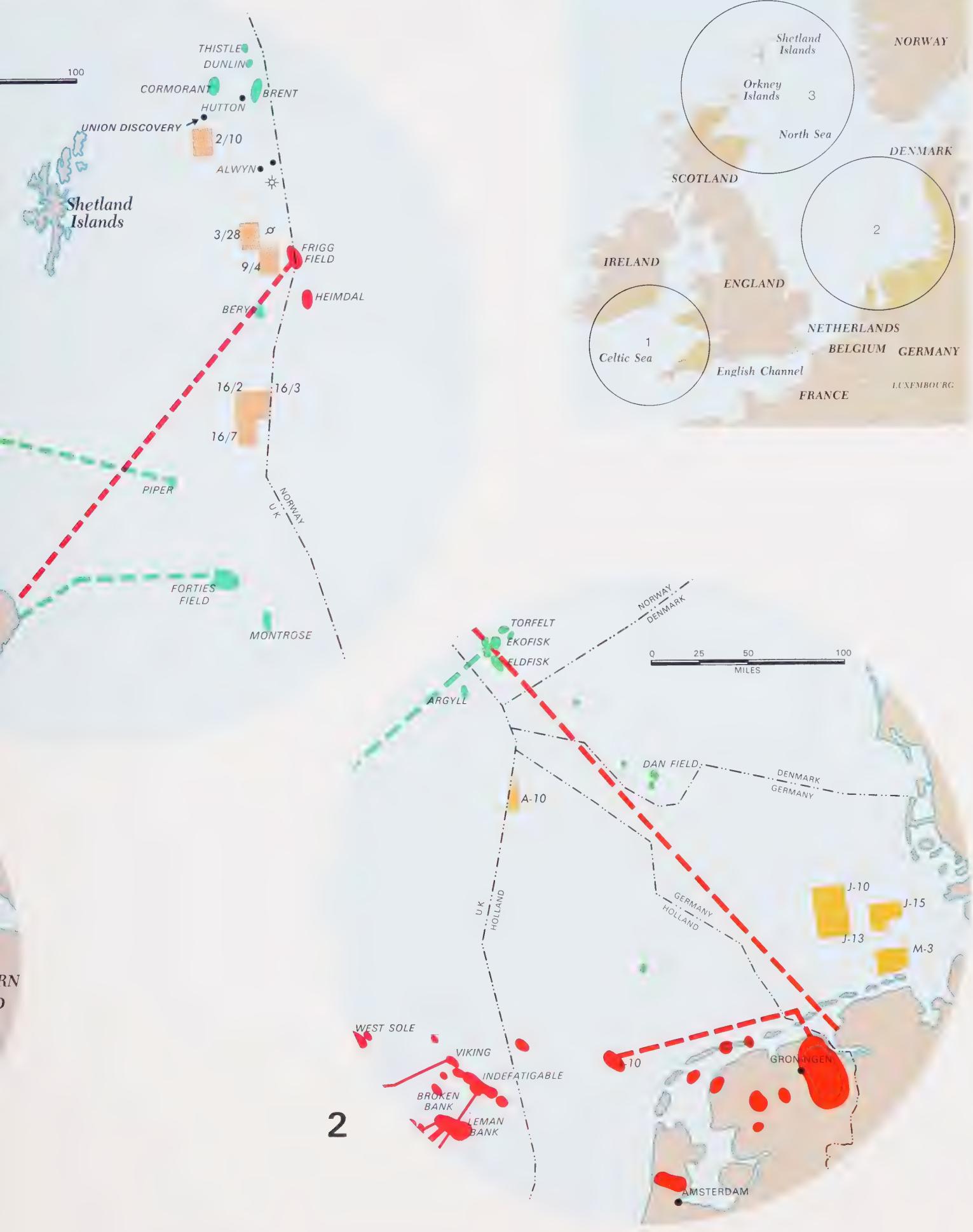
0

25

50

100

MILES



to select the blocks for which application will be made when the U.K. Government decides to open new areas for Production Licences. The next round of awards is not expected to occur until 1974 or 1975.

In the Celtic Sea area, southwest of the United Kingdom, exploratory drilling was commenced in the U.K. portion of the Bristol Channel sedimentary basin, while further drilling continued westward in the Irish portion. News of further drilling in 1974 by B.P., Shell and Aquitaine, indicate this basin will be actively explored during the next several years. Siebens (UK) will be drilling a well in Block 92/10 or 103/28 during this period.

Ireland

Hibernian Oil & Gas Ltd., an 80 percent owned subsidiary of Siebens Oil & Gas (UK) Limited, continued to acquire marine seismic coverage on the Irish continental shelf. In excess of 5650 line miles of data are in hand and interpreted. While the Irish Government appears to be under some pressure to open the unallocated blocks in this area for application, it is not expected this will occur for a year or so.

The past summer has seen an increase in exploration in Irish waters with Marathon and Esso conducting drilling programs in the Celtic Sea Basin, which is considered a westward extension of the Bristol Channel basin in UK waters.

Discussions between Marathon and the Irish Government regarding the development of the Kinsale Head gas field point to the future petroleum potential of this region.

Dutch North Sea

In December 1972, Siebens Oil & Gas (UK) Limited was awarded a 10 percent interest in block A/10 by the Dutch Ministry of Economic Affairs. This block, 129 square kilometers in area, is located on the UK-Dutch median line and about 60 miles south of the Ekofisk oil field in Norwegian waters. A detailed marine seismic survey was completed in 1973 and the interpretation of the data indicates an attractive structure is shared with the Shell/Esso group on the adjacent U.K. block.

German North Sea

Siebens Oil & Gas (UK) Limited holds a 45 percent interest in four blocks located in the German portion of the North Sea. Detailed seismic surveys have been completed covering these blocks and indicate several drillable structures. Siebens (UK) will commence exploratory drilling on one of these features in 1974 subject to the availability of suitable drilling equipment.

Other operators in the German North Sea will also commence exploration work in 1974 after a break in drilling activity in this area of nearly seven years. Attention will be focused on Triassic objectives as well as the search for deep Permian gas accumulations.

South Viet Nam

In August 1973, the Sunningdale Joint Venture Group in which Siebens Oil & Gas Ltd. is a 25 percent interest partner, was awarded two exploration concessions located

on the continental shelf of the Republic of Viet Nam. Blocks 21 and 22 cover an area of approximately 3.4 million acres and lie between 90 and 200 miles off the south coast of that country in water depths averaging less than 200 feet. Preliminary geophysical surveys indicate in excess of 7,500 feet of prospective Tertiary sediments present in this area which is considered a continuation of the prolific Brunei-Sarawak basin located to the south, off the coast of Borneo.

The joint venture is committed to a work program of geophysics and drilling at a cost of US \$12 million over a five year period. A 4,000 line mile detailed marine seismic survey will commence in December, 1973 and will incorporate the acquisition of gravity, magnetics and shallow profiler data.

The South China Sea, Gulf of Thailand and waters adjacent to Malaysia, Indonesia, and Brunei will be the scene of intense exploration activity during the next decade. Your Company regards its representation in this



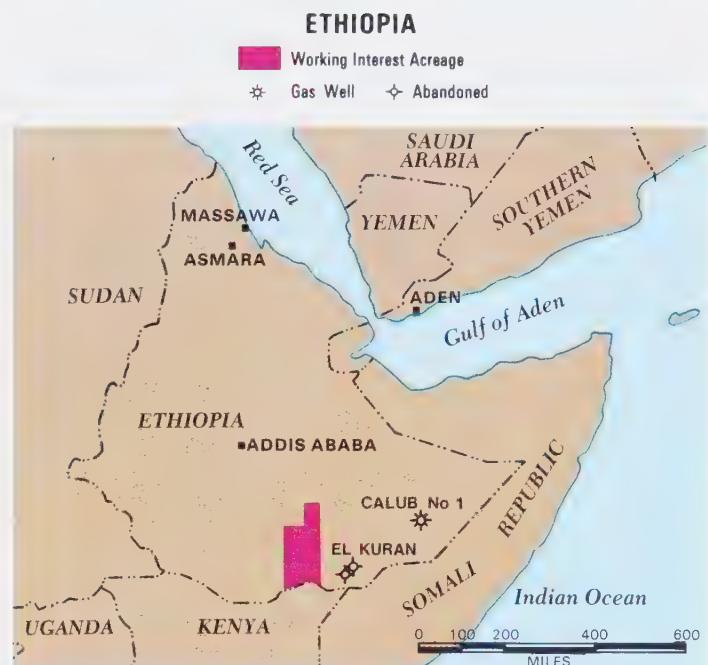
highly potential area to be significant. The prospectiveness of this young, virtually untested, Tertiary sedimentary basin with several reported oil and gas discoveries already noted, is held in high regard by the petroleum industry.

Ethiopia

The Company has entered into an agreement whereby it can earn up to 12½ percent interest in a Petroleum Concession in southwest Ethiopia by assuming the costs and obligations of one of the concession interest owners. The concession covers an area of approximately 8.5 million acres and is located on the Ethiopia - Kenya boundary west of a recent gas discovery completed by Tenneco. The Calub well tested 35 million cubic feet of gas per day from Lower Jurassic sand beds as well as 24 - 40 million cubic feet per day from a deeper zone. In addition, good oil shows were recovered from the El Kuran wells about 50 miles east of the concession boundary. A photogeologic study of the concession area is in progress and will be followed by a geophysical program to determine the extent and thickness of the sedimentary section. Due to its proximity to the recent discoveries and the possibility of similar productive structures being present, the concession is regarded to be highly prospective for the accumulation of hydrocarbons.

Other Areas

Negotiations with several foreign governments for concessions or service contracts continued this past year. It is hoped the results of these negotiations might be announced early in 1974.



FOREIGN LAND HOLDINGS

Location	Nature of Interest	Gross Acres	Net Acres
Alaska†	Leases	42,499	13,056
Ethiopia	Concession	8,499,883	531,243
Germany*	Exploration Permits	354,199	159,390
Italy	Exploration Permits	38,876	3,887
Malta	Production License	426,322	90,593
Netherlands*	Exploration License	31,876	3,188
South Viet Nam	Exploration Concession	3,396,389	849,097
United Kingdom*	Production Licenses	495,641	307,686
		13,285,685	1,958,140

† The Company also has priority rights on 118,097 net acres under dispute between the U.S. Federal Government and the State of Alaska relating to native claims. The Company holds Royalty Interests on 81,780 acres located on the North Slope.

* Represents acreage held by Siebens (UK). Siebens Canada holds 27.23% of all the issued and outstanding shares of Siebens (UK).

PRODUCTION

Crude Oil and Gas Liquids

Net production of crude oil and gas liquids for the period totalled 567,600 barrels, an average of 1,555 barrels per day. This is an increase of 496 percent over last year's average of 261 barrels per day and is principally due to the merger with Hudson's Bay Company Resources Limited. The average rate of production for the past period does not fully reflect the effects of this merger as only five months of HBR production were included when calculating this rate.

During October, 1973, the net production rate of oil and gas liquids was 3,450 barrels per day. Alberta accounts for approximately 72 percent of this production with the remainder being produced in Saskatchewan and Manitoba. A breakdown of the main fields from which production is derived is shown on the accompanying table.

Royalty production accounts for 90 percent of the Company's present oil and gas liquid production. It should be noted that royalty production income is not affected by rapidly increasing royalties and operating costs and therefore, this production is significantly more valuable than a corresponding amount of working interest production.

Natural Gas

Net production of natural gas for the year was 2,594,000 thousand cubic feet, an average of 7,107 thousand cubic feet per day. This is an increase of 65 percent over last year's average of 4,300 thousand cubic feet per day and is also mainly due to the merger with Hudson's Bay Company Resources Limited. As in the case of the oil, this average only includes five months of HBR production.

The Company's average net production of natural gas during October, 1973 was 11,000 thousand cubic feet per day. This rate is expected to increase approximately 20 percent during the next twelve months as discoveries made in 1973 go on stream.

PRESENT NET CRUDE AND GAS LIQUIDS PRODUCTION

Field	Barrels per Day
Bonnie Glen	485
Pembina	305
Medicine River	283
Redwater	134
Leduc	97
Lloydminster Area	92
Wainwright	87
Harmatton	78
Sunset	77
Olds	76
Willesden Green	71
Chauvin	70
Buffalo Lake	46
Other	583
	2,484

Saskatchewan

Lloydminster Area	118
Success	92
Suffield	86
Hummingbird	84
Instow	54
Battrum	43
Weyburn	36
Dollard	33
Verlo	33
Eagle Lake	32
Other	320
	931

Manitoba	35
Total	3,450

PRESENT GAS PRODUCTION

Field	MCF per Day
Enchant	2,170
Medicine Hat	1,000
Wildcat Hills	500
Cessford	400
Ghost Pine	400
Westerose	390
Pendent D'Oreille	380
Provost	370
Bonnie Glen	300
Crossfield	290
Gilby	280
Minnehik-Buck Lake	250
Nevis	220
Other	4,050
Total	11,000

RESERVES

The Company's net remaining recoverable reserves at year end as estimated by McDaniel Consultants (1965) Ltd. are shown on the accompanying table.

Total net equivalent reserves are 24,079,660 barrels including reserves in both proven and probable categories. The equivalent figure was derived by converting gas at one barrel per 14 MCF and three barrels per long ton of sulphur. This represents an increase of 344 percent over last year's

equivalent reserves of 5,424,000 barrels and is primarily due to the merger with Hudson's Bay Company Resources Limited. Significant reserves were also added by new drilling at Enchant, Sunset, Braeburn, Twining and Athabasca.

Siebens Oil & Gas Ltd. is convinced that production of the Athabasca Tar Sands will be needed to meet future energy requirements and have therefore purchased royalty interests in two tar sand leases. The Company's net reserves recoverable from these leases by surface mining operations are 38,800,000 barrels. These reserves are not included in the accompanying table. The Tar Sands are further covered on page 6 of this report.

NET RESERVES OF OIL, NATURAL GAS, AND NATURAL GAS LIQUIDS AND SULPHUR

October 31, 1973

	Crude Oil (Barrels)	Natural Gas Liquids (Barrels)	Natural Gas (Millions of Cubic feet)	Sulphur (Long Tons)
Proven	8,756,550	1,619,300	96,710	89,360
Probable	4,263,200	132,200	28,850	23,920
Total	<u>13,019,750</u>	<u>1,751,500</u>	<u>125,560</u>	<u>113,280</u>

FINANCIAL

Gross revenues for the fourteen month period ending October 31, 1973 amounted to \$6,383,000 with net earnings after provision for deferred and current income taxes at \$3,244,000 or \$.36 per share and cash flow of \$4,185,000 or \$.46 per share. The operations of Hudson's Bay Company Resources Limited, with whom the Company merged during the year, have been reflected in the accounts for the entire fourteen month period.

Total capital expenditures for the period reported amounted to \$4.4 million. The increase in capital expenditures over the prior period is attributable to increased exploratory and development programs and acquisition of royalty interests in the Athabasca Tar Sands area.

In June, 1973, the Company issued 2.8 million treasury shares in exchange for all the outstanding shares of Hudson's Bay Company Resources Limited. The two companies were subsequently merged.

In November, 1972, the Company's affiliate Siebens Oil & Gas (UK) Limited concluded a private placement for 2 million shares. The \$14 million obtained from this financing will be utilized for exploration and drilling in the North Sea.

For the next twelve month period ending October 31, 1974, the Company is projecting gross revenues to increase to \$6.7 million with cash flow expected to be \$5.5 million and net earnings after deferred income taxes to amount to \$3.3 million. These increases are expected to result from higher product prices and increased production.

CONSOLIDATED BALANCE SHEET

As at October 31, 1973

ASSETS

	<u>October 31, 1973</u>	<u>August 31, 1972</u>
CURRENT ASSETS		(Note 3)
Cash	\$ 436,572	\$ 85,338
Marketable securities, at cost (quoted market value 1973 - \$8,461,800; 1972 - \$8,800,875)	8,152,998	8,439,703
Accounts receivable	354,964	243,510
Accrued interest	111,500	291,918
Due from affiliated company	-	1,661,109
	<u>9,056,034</u>	<u>10,721,578</u>
INVESTMENT IN SIEBENS OIL & GAS (U.K.) LIMITED (Note 3)	3,802,094	270,133
PROPERTY, PLANT AND EQUIPMENT		
Petroleum and natural gas leases and rights together with exploration and development and equipment thereon, at cost (Note 3)	7,669,160	3,498,237
Accumulated depletion and depreciation	879,678	396,889
	<u>6,789,482</u>	<u>3,101,348</u>
Other equipment, at cost less accumulated depreciation 1973 - \$57,467; 1972 - \$41,681	45,098	46,642
	<u>6,834,580</u>	<u>3,147,990</u>
OTHER ASSETS	41,467	60,482
	<u>\$ 19,734,175</u>	<u>\$ 14,200,183</u>

LIABILITIES

CURRENT LIABILITIES

	October 31, 1973	August 31, 1972
	(Note 3)	
Accounts payable and accrued liabilities	\$ 737,884	\$ 413,096
Income taxes	-	625,000
Deferred income	<u>63,818</u>	<u>117,099</u>
	<u>801,702</u>	<u>1,155,195</u>
GAS PRODUCTION PREPAYMENT	47,106	49,028
DEFERRED INCOME TAXES (Note 3)	<u>661,000</u>	<u>128,000</u>
CONTINGENT LIABILITIES (Note 4)		

SHAREHOLDERS' EQUITY

CAPITAL STOCK (Note 5)

Authorized		
12,000,000 shares without nominal or par value		
Issued		
9,172,465 shares	13,437,010	11,785,925
CONTRIBUTED SURPLUS (Note 3)	3,447,651	1
RETAINED EARNINGS	<u>1,339,706</u>	<u>1,082,034</u>
	<u>18,224,367</u>	<u>12,867,960</u>

Signed on behalf of the Board:


 Wm. H. Siebeno Director
 Director

\$19,734,175

\$14,200,183

CONSOLIDATED STATEMENT OF EARNINGS

For the fourteen months ended October 31, 1973 (Note 1)

	Fourteen Months Ended October 31, 1973	Year Ended	
	August 31, 1973	August 31, 1972	(Note 3)
REVENUE			
Oil and gas sales	\$5,171,631	\$4,241,486	\$3,408,444
Interest	1,146,958	950,839	814,682
Other	64,493	57,547	105,248
	<u>6,383,082</u>	<u>5,249,872</u>	<u>4,328,374</u>
EXPENSES			
Production expenses	225,767	186,495	161,873
General and administrative	435,086	384,876	267,495
Depletion and amortization (Note 3)	457,931	380,494	1,976,797
Depreciation	69,589	53,483	29,691
	<u>1,188,373</u>	<u>1,005,348</u>	<u>2,435,856</u>
NET EARNINGS BEFORE INCOME TAXES	<u>5,194,709</u>	<u>4,244,524</u>	<u>1,892,518</u>
INCOME TAXES (Note 3)			
Current	1,417,537	1,375,117	1,077,000
Deferred	533,000	245,000	(186,000)
	<u>1,950,537</u>	<u>1,620,117</u>	<u>891,000</u>
NET EARNINGS	<u>\$3,244,172</u>	<u>\$2,624,407</u>	<u>\$1,001,518</u>
NET EARNINGS PER SHARE	<u>\$.36</u>	<u>\$.29</u>	<u>\$.11</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS (DEFICIT)

For the fourteen months ended October 31, 1973 (Note 1)

	Fourteen Months Ended October 31, 1973	Year Ended	
	August 31, 1973	August 31, 1972	(Note 3)
RETAINED EARNINGS (DEFICIT) AT BEGINNING OF PERIOD, as previously reported	\$ (96,568)	\$ (96,568)	\$ 463,800
Retained earnings of subsidiary pooled in 1973 (Note 2)	1,097,800	1,097,800	-
Adjustments resulting from retroactive adoption of -full cost method of accounting (Note 3) -tax allocation accounting (Note 3)	208,802 (128,000)	208,802 (128,000)	726,116 (314,000)
RETAINED EARNINGS AT BEGINNING OF PERIOD, as restated	<u>1,082,034</u>	<u>1,082,034</u>	<u>875,916</u>
Net earnings for the period	3,244,172	2,624,407	1,001,518
Dividends and other distributions of pooled subsi- diary and its predecessor business (Note 2)	4,326,206	3,706,441	1,877,434
	<u>2,986,500</u>	<u>2,986,500</u>	<u>795,400</u>
RETAINED EARNINGS AT END OF PERIOD	<u>\$1,339,706</u>	<u>\$ 719,941</u>	<u>\$1,082,034</u>

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the fourteen months ended October 31, 1973 (Note 1)

	Fourteen Months Ended October 31, 1973	Year Ended	
		August 31, 1973	August 31, 1972 (Note 3)
SOURCE OF FUNDS			
From operations	\$4,185,476	\$3,221,907	\$2,821,034
Sale of petroleum and natural gas rights	200,653	181,679	1,303,758
Issue of common shares (Note 5)			
For cash	45,148	5,625	29,545
For petroleum and natural gas rights	780,937	780,937	-
For purchased subsidiaries	825,000	825,000	-
Other	<u>41,455</u>	<u>50,148</u>	<u>(52,922)</u>
	<u>6,078,669</u>	<u>5,065,296</u>	<u>4,101,415</u>
APPLICATION OF FUNDS			
Property, plant and equipment	4,404,220	3,415,829	2,703,391
Dividends and other distributions of pooled subsidiary	<u>2,986,500</u>	<u>2,986,500</u>	<u>795,400</u>
	<u>7,390,720</u>	<u>6,402,329</u>	<u>3,498,791</u>
INCREASE (DECREASE) IN WORKING CAPITAL	<u>\$(1,312,051)</u>	<u>\$(1,337,033)</u>	<u>\$ 602,624</u>

AUDITORS' REPORT

To the Shareholders
Siebens Oil & Gas Ltd.

We have examined the consolidated balance sheet of Siebens Oil & Gas Ltd. and its subsidiaries as at October 31, 1973 and the consolidated statements of earnings, retained earnings (deficit) and source and application of funds for the year ended August 31, 1973 and the fourteen months ended October 31, 1973. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at October 31, 1973 and the results of their operations and the source and application of their funds for the year ended August 31, 1973 and the fourteen months ended October 31, 1973, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving retroactive effect to the change in accounting for petroleum and natural gas operations and income taxes as explained in Note 3 to the consolidated financial statements.

December 12, 1973
Calgary, Alberta

(Signed) RIDDELL, STEAD & CO.
Chartered Accountants

NOTES TO 1973 CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 CHANGE OF FISCAL YEAR-END

During 1973, the fiscal year-end of Siebens Oil & Gas Ltd. (the Company) was changed from August 31 to October 31.

NOTE 2 BUSINESS COMBINATIONS

During the year, the Company issued 2,800,000 common shares (representing 31% of the Company's total common shares outstanding after giving effect to the issue of such shares) at a stated value of \$34,500,000, in exchange for all the issued and outstanding shares of Hudson's Bay Company Resources Limited (HBR), a company owning extensive mineral rights in Western Canada. This business combination was accounted for on the pooling of interests basis. Accordingly, the shares issued by the Company are stated on consolidation at the stated value of HBR's capital stock which is \$34,498,999 lower than the issue price, HBR's assets and liabilities have been included in the consolidated balance sheet at their book values, and the results of the operations of HBR (and its predecessor business for periods prior to HBR's inception) have been included in the consolidated financial statements for all periods.

Also during the year, the Company issued 55,000 common shares (representing 1% of the Company's total common shares outstanding after giving effect to the issue of such shares) in exchange for all the issued and outstanding shares of Samjean Holdings Ltd. and Lehart Oil Properties Ltd., companies holding non-producing tar sands interests. These business combinations were accounted for as purchases. The excess of the cost of the shares of each company over the underlying book value of their net assets at the date of acquisition has been included in petroleum and natural gas rights on the Company's consolidated balance sheet and is being amortized on the same basis as the related assets (see Note 3).

Details prescribed by the Regulations made under the Ontario Securities Act are as follows:

	Hudson's Bay Company Resources Limited	Samjean Holdings Ltd.	Lehart Oil Properties Ltd.
Book value of net assets brought in by each corporation	\$ 1,001	\$ (291)	\$ (291)
Excess of consideration given over book value of net assets	<u>34,498,999</u>	<u>412,791</u>	<u>412,791</u>
Fair value of consideration given	<u>\$34,500,000</u>	<u>\$412,500</u>	<u>\$412,500</u>

The following shows the net earnings of the Company for the two years ended August 31, 1972, as previously reported, compared to its net earnings restated to give effect to the accounting changes referred to in Note 3 and the pooling of HBR:

	Net Earnings (Loss)	
	As Restated	As Previously Reported
Year ended August 31, 1971	\$2,211,661	\$ 74,961
Year ended August 31, 1972	1,001,518	(560,368)

NOTE 3 ACCOUNTING POLICIES

a) Principles of Consolidation

The consolidated financial statements include the accounts of Siebens Oil & Gas Ltd. and its wholly-owned subsidiaries, Siebens Oil & Minerals, Inc., Siebens Oil & Gas (Malta) Limited, Hudson's Bay Company Resources Limited (to the date of its liquidation on July 31, 1973), Samjean Holdings Ltd., Lehart Oil Properties Ltd., Siebens Oil & Gas (Vietnam) Ltd. and Siebens Oil & Gas (S.E. Asia) Ltd.

b) Investment in Siebens Oil & Gas (U.K.) Limited

The Company follows the equity method of accounting for its investment in Siebens Oil & Gas (U.K.) Limited in which the Company has a 27% interest. Under this method, the Company's investment is carried on the balance sheet at cost plus its share of net increases or decreases in the shareholders' equity accounts of Siebens (UK). The Company's share of the income and expenses of Siebens (UK) have been included in the Company's consolidated statement of earnings on an item-by-item basis.

In November, 1972, Siebens (UK) issued 2,000,000 shares of its capital stock thereby reducing the Company's interest in that company from 40% to 27%. This transaction resulted in an increase of \$3,447,650 in the Company's equity in the net assets of Siebens (UK) which increase is shown as contributed surplus in the Company's consolidated balance sheet.

c) Petroleum and Natural Gas Operations

The Company follows the "full cost" method of accounting for its petroleum and natural gas operations. Under this method all costs of exploring for and developing oil and gas reserves are capitalized and charged to income as set out below.

Costs incurred in North America are being depleted using the unit of production method based on estimated recoverable North American reserves as determined by company engineers. Costs incurred by Siebens (UK) in the United Kingdom (See Note 3 (b) above) are being amortized on a straight-line basis at the rate of 10%. Should exploration in the United Kingdom prove successful, the unamortized costs will then be depleted using the unit of production method based on estimated recoverable reserves in the United Kingdom; any unamortized costs will be written off to income in the event of abandonment of exploration activities in the United Kingdom. The costs of exploration in other foreign areas will be depleted on the basis of oil and gas reserves as and when discovered or written off to income (1972 - \$1,821,686) if exploration in any area is determined to be unsuccessful.

d) Income Taxes

The Company follows the tax allocation method of accounting under which the income tax provision is based on the earnings reported in the accounts. Under this method the Company provides for deferred income taxes to the extent that income taxes otherwise payable are eliminated by claiming capital cost allowances and exploration and development costs in excess of the depreciation and depletion provisions reflected in its accounts.

e) Foreign Currencies

The accounts of foreign subsidiaries are converted to Canadian dollars on the following basis:

- i) current assets and current liabilities, at the rate of exchange in effect as at the balance sheet date;
- ii) fixed assets, at the average rate of exchange for the years in which the respective assets were acquired;
- iii) revenue and expenses, at the average rate of exchange for the year.

The loss on conversion has been charged to earnings.

f) Accounting Changes and Restatement of 1972 Accounts

Prior to September 1, 1972,

- i) exploration expenses were capitalized and were charged to income if the exploration project was determined to be unsuccessful; lease acquisition costs were capitalized and were charged to income if the property was determined to be unproductive; carrying charges of non-producing properties were charged to income as incurred; the costs of drilling a productive well were capitalized and the costs of an unproductive well were charged to income when the well was determined to be dry; and

ii) the Company claimed capital cost allowances and exploration and development costs for income tax purposes in excess of the related amounts reflected in its accounts and provided in its accounts only for the taxes payable on its taxable income for the year.

During the year, the Company retroactively changed to the accounting methods outlined in c) and d) above. These changes in accounting had the net effect of increasing net earnings for the fourteen months ended October 31, 1973 by \$127,449 (\$.01 per share) and for the year ended August 31, 1973 by \$188,176 (\$.02 per share), and decreasing net earnings for the year ended August 31, 1972 by \$331,314 (\$.04 per share). The 1972 accounts have been restated from those previously reported to give effect to these accounting changes as well as to the pooling of HBR referred to in Note 2.

NOTE 4 CONTINGENT LIABILITIES AND COMMITMENTS

As of October 31, 1973, the Company was contingently liable under non-interest bearing demand notes and letters of credit aggregating approximately \$5 million as security for the performance of work obligations in respect of exploration activities.

NOTE 5 CAPITAL STOCK

a) Changes in the Company's outstanding capital stock during the fourteen months ended October 31, 1973 were as follows:

	<u>Number of Shares</u>	<u>Book Value</u>
Balance, September 1, 1972	6,256,300	\$11,784,925
Issued for cash on exercise of options	8,665	45,148
Issued for petroleum and natural gas rights	52,500	780,937
Issued in connection with business combinations (Note 2)		
Hudson's Bay Company Resources Limited	2,800,000	1,000
Samjean Holdings Ltd.	27,500	412,500
Lehart Oil Properties Ltd.	27,500	412,500
Balance, October 31, 1973	<u>9,172,465</u>	<u>\$13,437,010</u>

b) 85,035 shares of the Company are reserved under a share option plan dated January 7, 1970. As of October 31, 1973, officers and employees held options granted under the plan to purchase 69,335 shares of the Company at prices ranging from \$5.04 to \$12.60 per share, exercisable in annual instalments to October, 1979.

NOTE 6 STATUTORY INFORMATION

Directors and senior officers (including the five highest paid employees) of the Company received remuneration amounting to \$217,730 during the fourteen months ended October 31, 1973.

SIEBENS OIL & GAS LTD. 1973 ANNUAL REPORT

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METROPOLITAN PRINTING, EDMONTON

SIEBENS OIL & GAS LTD.
AND SUBSIDIARY COMPANIES

**CONSOLIDATED STATEMENT OF SOURCE
AND APPLICATION OF FUNDS**

(Unaudited)

SOURCE OF FUNDS	Six Months Ended February 28 <u>1973</u>	Six Months Ended February 28 <u>1972</u>
From Operations		
Net earnings for the period ..	\$ 16,884	\$1,132,008
Non-cash items ..	<u>105,884</u>	<u>40,196</u>
	122,768	1,172,204
Sale of common shares	4,764	16,077
Other	<u>24,824</u>	<u>118,136</u>
	<u>152,356</u>	<u>1,306,417</u>
APPLICATION OF FUNDS		
Property, plant and equipment - net ..	279,445	1,338,015
Other	<u>1,872</u>	<u>—</u>
	<u>281,317</u>	<u>1,338,015</u>
DECREASE IN WORKING CAPITAL	<u>\$128,961</u>	<u>\$ 31,598</u>

Attn: Editor - Report on Businesses

THE GLOBE & MAIL LIMITED
140 King St. West
Toronto 1, Ontario

SIEBENS OIL & GAS LTD.
300 Three Calgary Place
Calgary, Alberta
T2P 0J1

**SIEBENS
OIL & GAS LTD.**

Nyle

INTERIM REPORT
TO SHAREHOLDERS

FOR SIX MONTHS ENDED
FEBRUARY 28, 1973



To The Shareholders:

Hudson's Bay Company Resources Limited

On March 6, 1973 the Company signed a letter of intent whereby, subject to satisfaction of certain conditions, it would acquire all of the outstanding shares of Hudson's Bay Company Resources Limited, a wholly owned subsidiary of Hudson's Bay Company, in exchange for 2.8 million treasury shares of the Company, Hudson's Bay Company Resources Limited owns mineral rights on 4.5 million acres in Western Canada and has an annual cash flow of approximately \$3.2 million. The Company expects to utilize this additional cash flow for exploration of its large land holdings in Canada.

Athabasca Tar Sands Royalties

The Company has also entered into agreements to acquire from royalty owners, interests in two royalties covering approximately 87,000 acres in the Athabasca Tar Sands area of Alberta in exchange for 107,500 treasury shares of the Company. The lands are currently held under Alberta Crown bituminous sand leases No. 25 and 23 by Union Oil Company of Canada Limited and by Standard Oil Company of British Columbia Limited respectively. According to independent consultant's reports which were based on available core analysis information, each lease appears to have sufficient recoverable reserves to support a plant in excess of 100,000 barrels per day and the Company's share of these recoverable reserves was estimated to be 38.8 million barrels.

These acquisitions are considered to be very important to the Company because of the

growing importance of the Athabasca Tar Sands area as a future source of energy and due to their proximity to the Great Canadian Oil Sands Plant and the proposed Syncrude operation.

North Sea

In November, 1972 the Company's affiliate, Siebens Oil & Gas (UK) Limited, successfully completed a private placement for two million shares in return for £6 million (\$14 million Cdn.). The funds obtained from this financing will be utilized by Siebens (UK) in drilling six to nine exploratory wells on its Production Licences located in the North Sea and Celtic Sea. As a result of this financing, the Company now holds 27.23% of the shares of Siebens (UK).

In February, 1973 Siebens (UK) entered into an agreement with Western Oceanic to utilize their new semisubmersible drilling vessel Pacesetter I to drill two wells during 1974 in the Northern North Sea and is currently negotiating for the use of another semisubmersible drilling vessel which would be used in the summer of 1973.

W. W. SIEBENS
President

March, 1973

SIEBENS OIL & GAS LTD. AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS (Unaudited)

	Six Months Ended February 28 <u>1973</u>	<u>1972</u>
REVENUE		
Oil and gas produc-		
tion	\$251,198	\$ 193,742
Interest	378,218	416,336
Sale of oil and gas		
rights and seismic		
information	10,442	1,142,562
Other	55,598	27,279
	<u>695,456</u>	<u>1,779,919</u>
COSTS AND EX- PENSES		
Production expense	66,169	84,324
Carrying charges of		
non-producing		
properties	264,549	234,346
Exploration expense	27,106	15,145
Dry hole costs	—	95,376
Property surrenders	43,782	8,474
General and admin- istrative	231,974	178,524
Depletion and de- preciation	44,992	31,722
	<u>678,572</u>	<u>647,911</u>
NET EARNINGS	<u>\$ 16,884</u>	<u>\$1,132,008</u>
EARNINGS PER SHARE	—	18¢